

Summer 2019

## Lloyd Urban Village (LUV), NAIOP Workshop Project

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## Authors

Shellee McCullick, Cait Olds, Eriko Shimada, Damon Tidwell, Eric Zechenelly, and Nikki Zhao

An aerial, isometric view of a city grid. The buildings are represented as 3D rectangular blocks in various shades of yellow and orange. The streets are thin lines on the ground. In the center of the image, the letters 'LUV' are written in a large, bold, dark blue font. The 'L' is at the top, 'U' is in the middle, and 'V' is at the bottom, all centered horizontally.

L  
U  
V

# Lloyd Urban Village



**Presented By:**

Portland State University, Master of Real Estate Development, August 2019

**Team:**

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# Vision



Imagine being at the forefront of a 1.5 million square foot mixed-use development in the heart of Portland's newest entertainment district.

Imagine a superblock development that becomes a destination for all of Portland to live, work and play.

Imagine a transformative project that continues to build upon a new neighborhood center in one of Portland's most cohesive transit hubs.

It's here...

The **L**loyd **U**rban **V**illage – The **LUV**.



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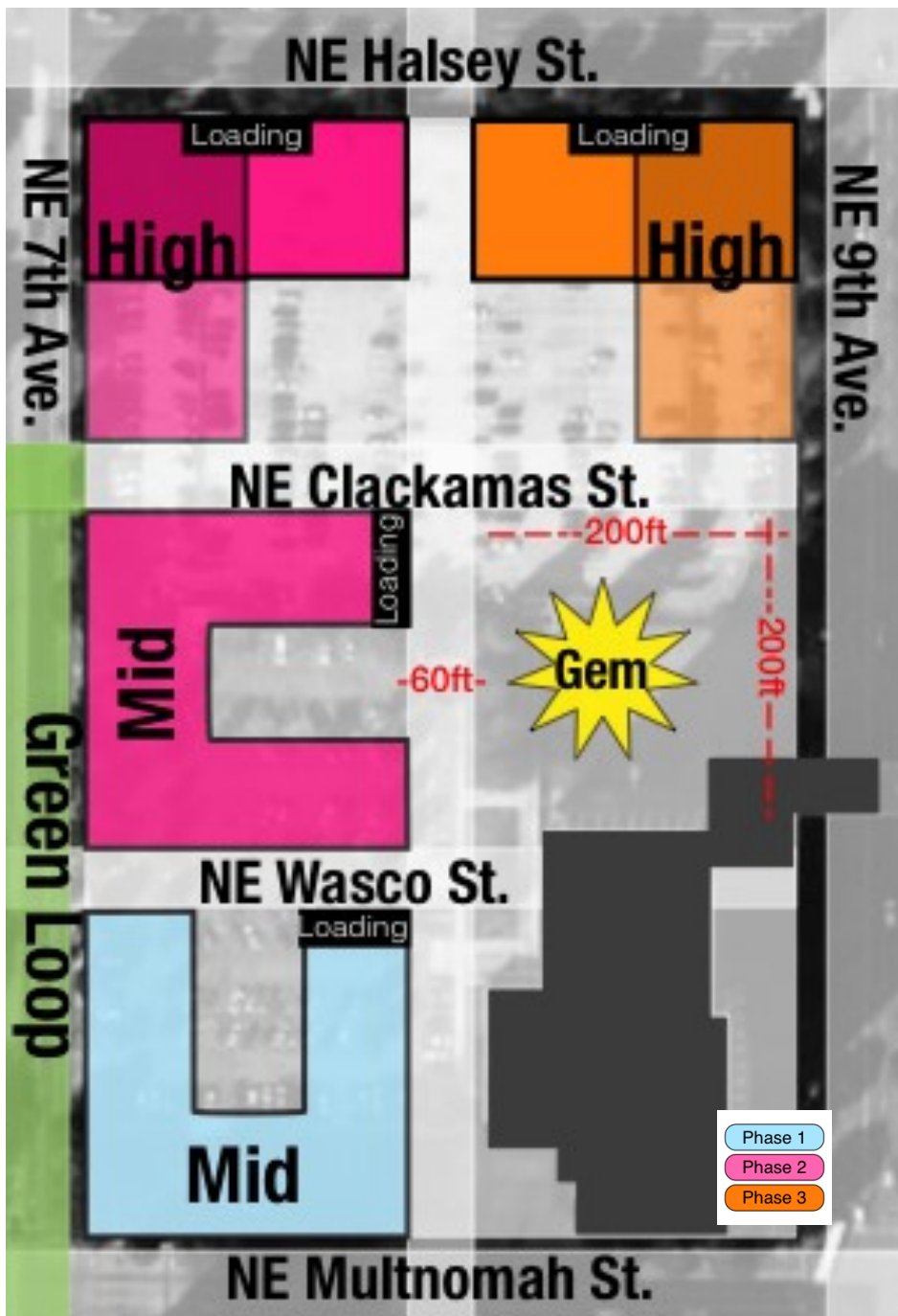
Financials  
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# Executive Summary

## Project Summary

The LUV consists of 4 buildings with a central public gathering space. This new development has two primary goals:

1. Create a pedestrian friendly urban village in Lloyd that will draw the public to this burgeoning entertainment district.
2. Build a marketable and profitable development that will provide the highest and best use for the site.



### Phase 1 Construction

#### 2 levels underground parking

- . Total Parking 176,000 SF

#### Mid-rise apartments

- . Total Building 227,000 SF
- . Residential 193,000 SF
- . 216 Units
- . Retail 19,200 SF

### Phase 2 Construction

#### Demo existing parking structure

#### 3 levels underground parking

- . Total Parking 462,000 SF

#### Mid-rise apartments

- . Total Building 227,000 SF
- . Residential 193,000 SF
- . Ground floor retail 19,200 SF
- . 216 Units

#### High-rise mixed-use office and residential apartments

- . Total SF 517,000
- . Residential 292,000 SF
- . 315 Units
- . Ground floor retail 15,000 SF
- . Office 180,000 SF

"Gem" outdoor park/public gathering space 30,000 SF

### Phase 3 Construction

#### High-rise mixed-use office and residential apartments

- . Total SF 517,000
- . Residential 292,000 SF
- . 315 Units
- . Office 180,000 SF
- . Ground floor retail 15,000 SF

## Executive Summary

### Key Elements    Features/Benefits

Competitive Advantages	<ul style="list-style-type: none"><li>· Large scale equates to lower building costs</li><li>· Excellent transit opportunities</li><li>· The LUV sits on a rare superblock in Lloyd's burgeoning entertainment district. This development will create the largest Portland neighborhood center.</li></ul>
Financial Return	<ul style="list-style-type: none"><li>· 6% yield trended</li><li>· 8% yield not trended</li><li>· 9% cash-on-cash trended</li></ul>
Schedule	<ul style="list-style-type: none"><li>· 3 phases</li><li>· All entitlements and due diligence for the entire project will be completed in Phase 1</li><li>· Contractor selected early for all phases</li></ul>
Absorption Assumptions	<ul style="list-style-type: none"><li>· 25 residential units per month</li><li>· Office- 6,700 SF/Month</li><li>· Retail- 1,000 SF/Month</li></ul>
Target Market	<ul style="list-style-type: none"><li>· Young professionals</li><li>· Empty nesters</li><li>· Urban couples</li><li>· Corporate back office</li></ul>
Inclusionary Zoning	<ul style="list-style-type: none"><li>· Building with a smaller overall number of affordable units through the "Reconfiguration" option mitigates negative financial impacts</li></ul>

### Risks                      Mitigations

Overbuilding	<ul style="list-style-type: none"><li>· Portland is under building 1,800 units annually</li></ul>
Rising Construction Costs	<ul style="list-style-type: none"><li>· Built in 2.5% inflation for construction costs</li></ul>
Rising Interest Rates	<ul style="list-style-type: none"><li>· American Assets will use direct cash for projects and/or use corporate bonds at a lower interest rate than typical commercial loans and arduous process of mortgage back security Financing.</li></ul>
Retail Vacancy	<ul style="list-style-type: none"><li>· Provided code minimum retail with focus on community benefits</li></ul>
Parking Risk	<ul style="list-style-type: none"><li>· Phased parking plan and opportunity to provide additional via agreements with adjacent properties</li></ul>
Design Review	<ul style="list-style-type: none"><li>· All entitlements and due diligence done at the beginning of Phase 1</li></ul>



# Timeline

## **Due Diligence and Entitlements**

During this phase, all due diligence and entitlement work such as survey, title review, environmental studies, geotechnical reports, and zoning analysis will be completed. Design review approvals for the entire mega block will be completed in this phase.

## **Design**

After due diligence has been completed and no impending risks are found, the design phase will begin with the architect. Schematic Design will begin as the architect prepares a series of rough sketches which show the general arrangement of program and of the site. During Design Development, more detailed drawings are produced to illustrate other aspects of the proposed design. Floor plans are produced to show all the rooms in their correct size and shape. Outline specifications will then be prepared, and will list the major materials and room finishes. After the design is approved, Construction Documents are created with input from the contractor, structural, and MEP. Construction Documents and specifications will be used to establish the actual construction cost and to build the project.

## **Entitlements**

Approvals for the entire mega block will be sought at the beginning of the project to fast track our phasing plan. The primary driver of the entitlement process will be Type III Design Review and permitting.

## **Contractor Selection**

Contractor selection will occur at the beginning of Phase 1 to allow early input from the GC during design. The contractor will be well integrated into the project and will be able to start demolition/excavation as soon as permits are received. The development team anticipates using the same contractor throughout all three phases of development.

## **Construction**

Once entitlements are released construction will start. Anticipated construction for each of the three phases is two years.

## **Lease-Up**

Phase 1 – Q1 2025

Phase 2 – Q3 2029

Phase 3 – Q4 2032



# Timeline

PHASE 1 - BUILDING 1																								
	2020				2021				2022				2023				2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
DUE DILIGENCE																								
SCHEMATIC DESIGN																								
DESIGN DEVELOPMENT																								
CONSTRUCTION DOCUMENTS																								
PERMITTING																								
ENTITLEMENTS																								
CONTRACTOR SELECTION																								
BUILDING CONSTRUCTION																								
LEASE-UP/ABSORPTION																								
MULTIFAMILY																								
RETAIL																								

PHASE 2 - BUILDINGS 2 & 3																								
	2023		2024		2025		2026		2027		2028		2029											
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SCHEMATIC DESIGN																								
DESIGN DEVELOPMENT																								
CONSTRUCTION DOCUMENTS																								
PERMITTING																								
DEMOLITION																								
BUILDING CONSTRUCTION																								
LEASE-UP/ABSORPTION																								
MULTIFAMILY																								
OFFICE																								
RETAIL																								

PHASE 3 - BUILDING 4																								
	2027				2028				2029				2030				2031				2032			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SCHEMATIC DESIGN																								
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# Site Analysis

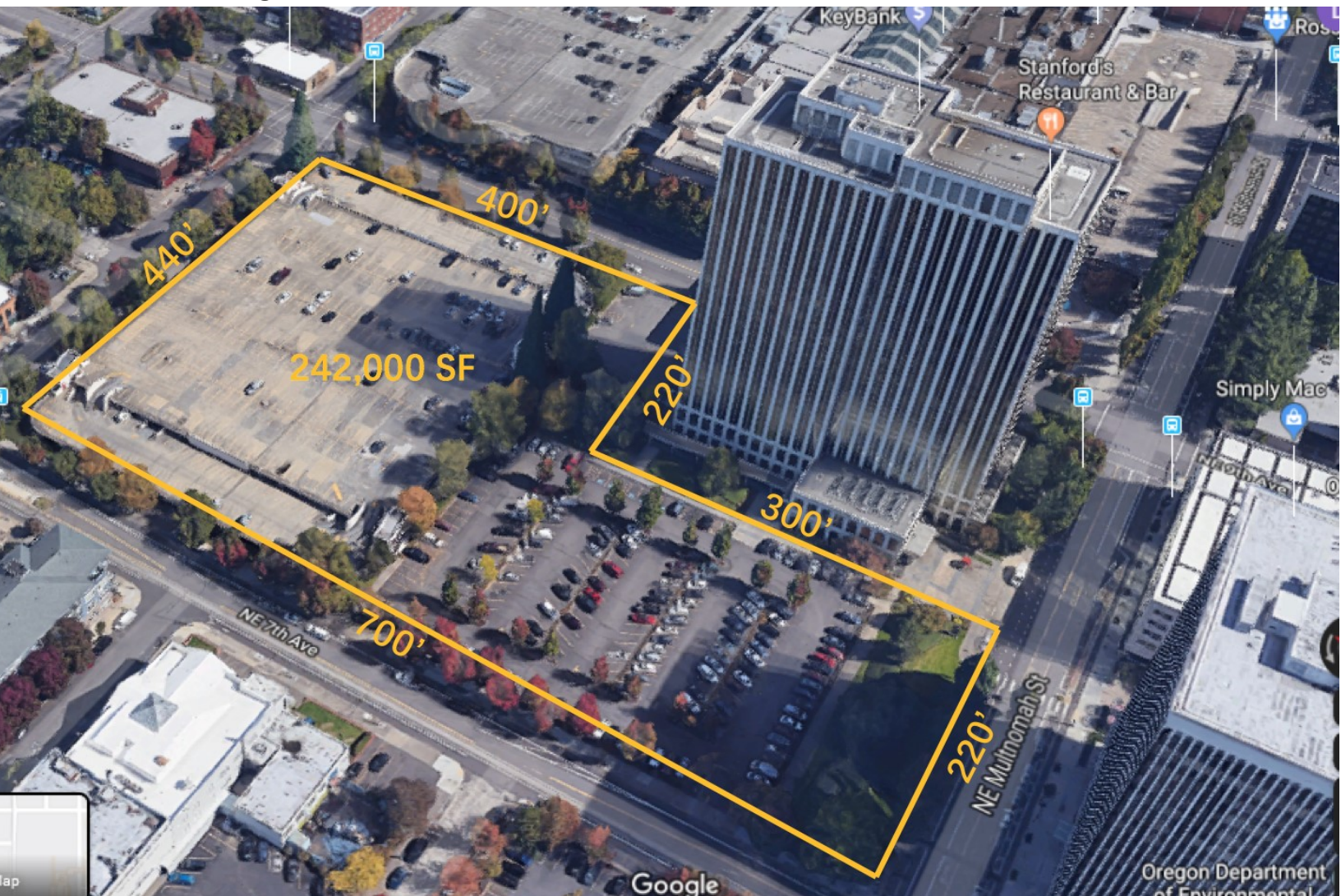
## Neighborhood

The site is 825 NE Multnomah which comprises 6 blocks of development potential and totals 242,000 SF. 51.64% of the Lloyd Center Tower including 50% ownership of the surface parking and parking structure is owned by Pacific Corporation and the remainder is owned and managed by American Assets Trust.

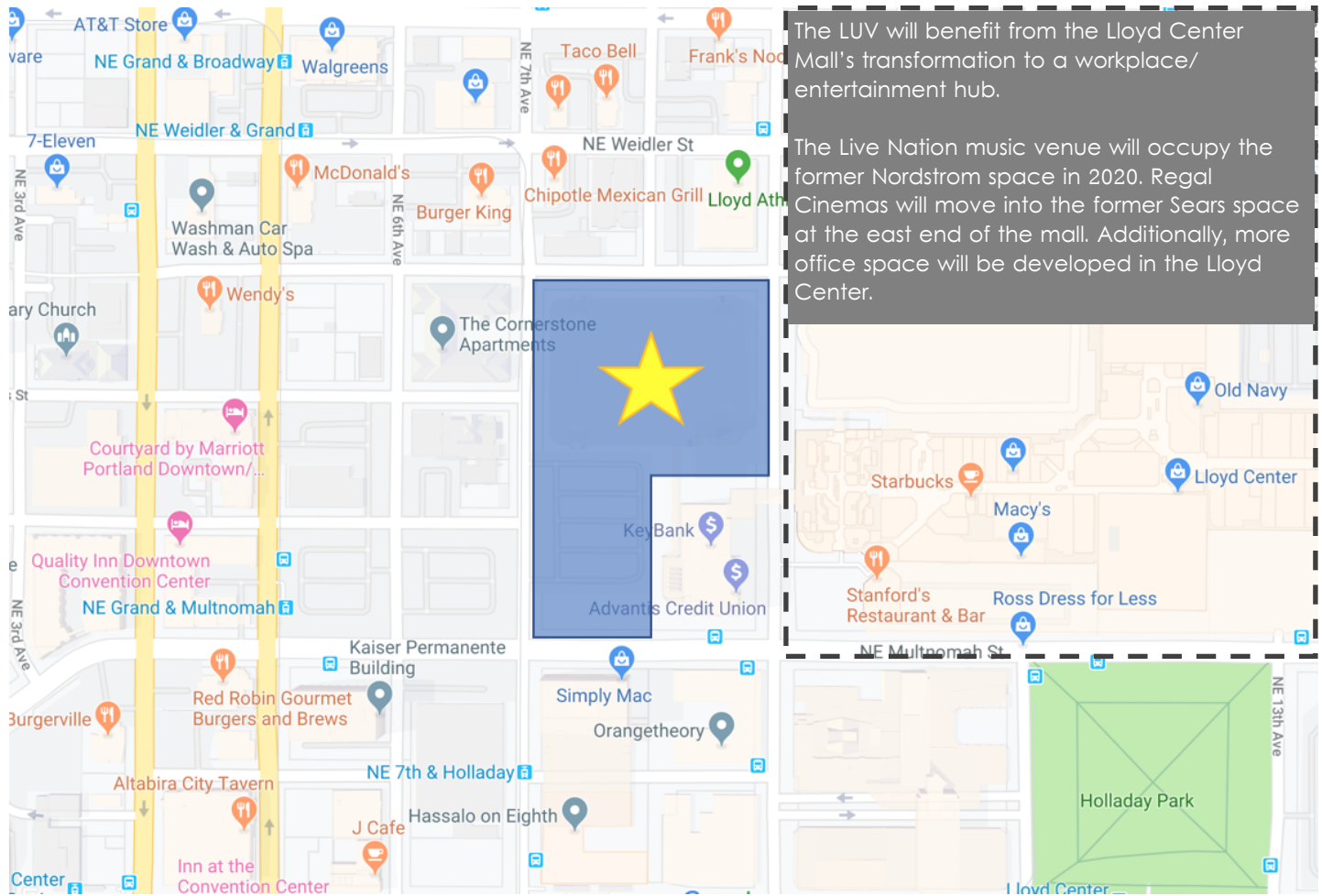
The zoning at the site is CXd — Central Commercial with design overlay. The site also resides within the Lloyd District Community Business District and the Central City Lloyd Plan District. The maximum floor area ratio is 12:1, and the height limit is 250' with a bonus residential height of 75'.

## Nearby Amenities

Lloyd Center is well appointed with entertainment where one can visit the Moda Center, Oregon Convention, and the Live Nation House of Blues planned for 2020. Neighborhood services will invite people to take advantage of a variety of banking options, health & beauty services such as OrangeTheory fitness, LA Nails, Lloyd Athletic Club, and a host of restaurant venues available in the Lloyd Center Mall. Restaurant choices will include Garden Bar, Stanfords, Heart Pizza, and Altabira City Tavern.



## Site Analysis



Oregon  
Convention  
Center

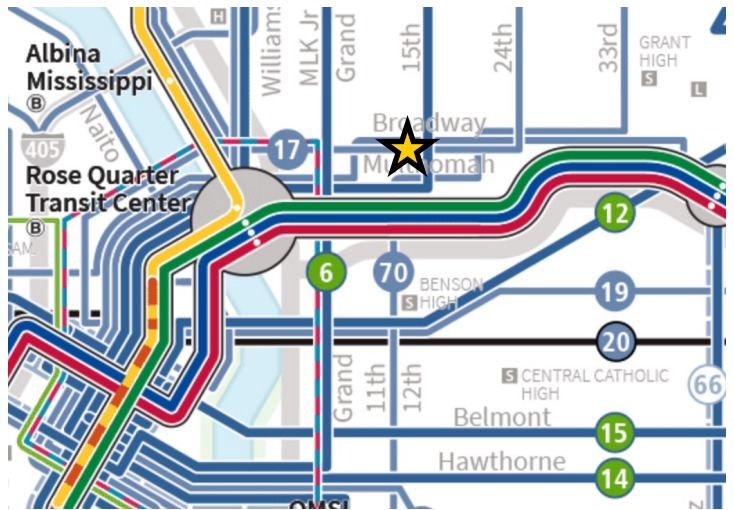




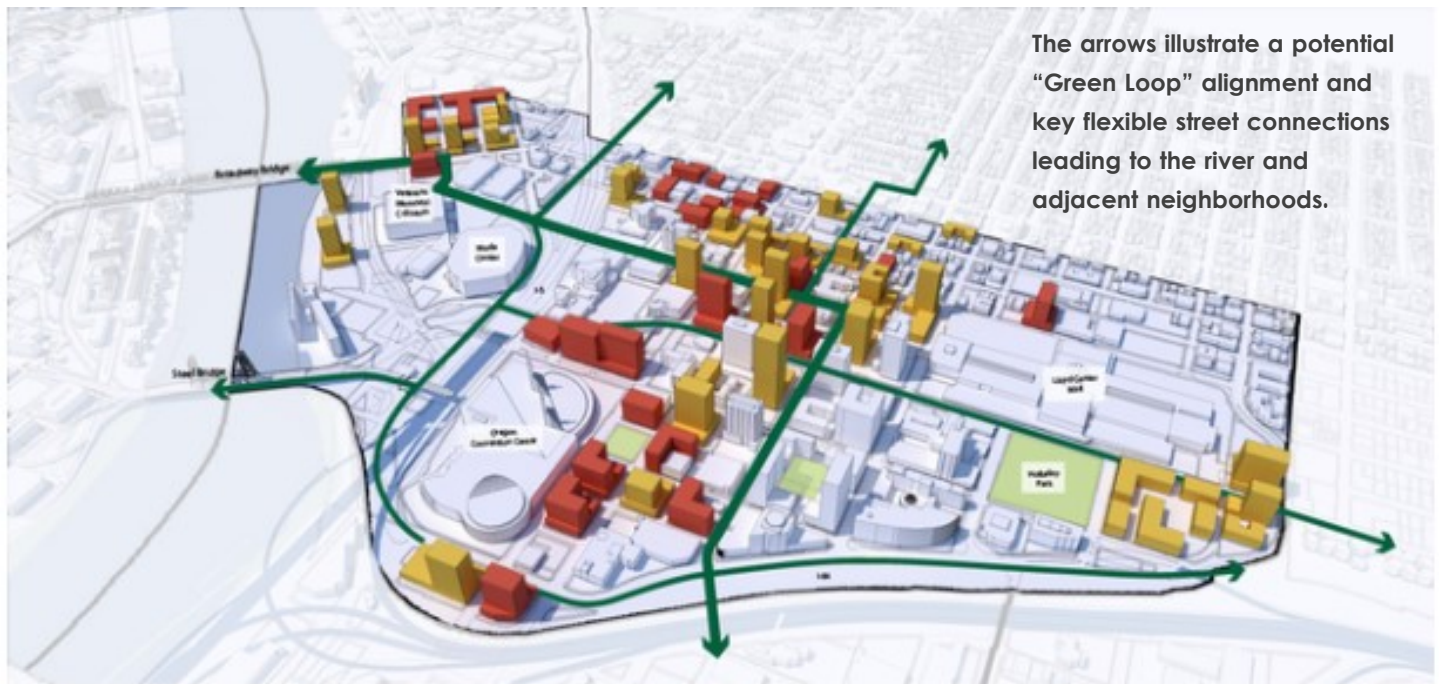
## Site Analysis

### Transportation Systems

The Lloyd neighborhood as described by American Assets Trust as a major transportation hub for the region. Two freeways I-5 and I-84, three commuter lines and two streetcar loops converge at the Lloyd District Portfolio, which is also home to the largest controlled access bike parking facility in the city with space for over 600 bicycles. This rendering illustrates a possible development scenario approximating future growth. The arrows illustrate a potential "Green Loop" alignment and key flexible street connections leading to the river and adjacent neighborhoods.



Max and bus lines adjacent to site – resource Trimet



The arrows illustrate a potential "Green Loop" alignment and key flexible street connections leading to the river and adjacent neighborhoods.



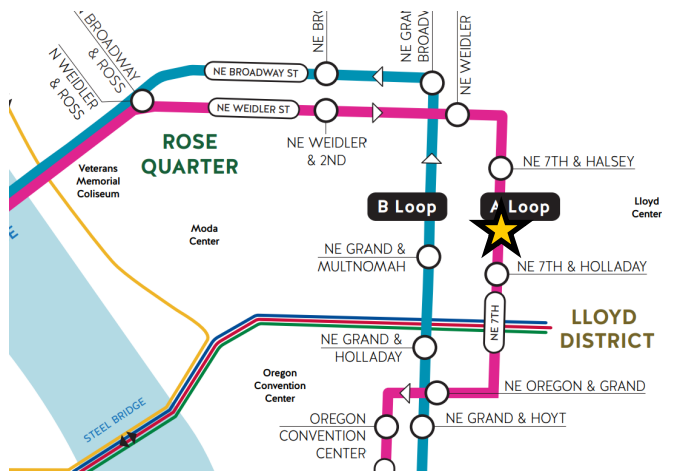
Proposed Green Loop – resource City of Portland



## Site Analysis



Highway Access – resource Google Maps



Streetcar Access – resource Portland Streetcar



PBOT is planning to construct a new pedestrian/bicycle bridge over Interstate 84 and the Union Pacific Railroad to better connect the rapidly growing Lloyd and Central Eastside Industrial districts .

Proposed Sullivan's Crossing – resource City of Portland

# Entitlement Summary

## The Site

- Located directly to the west of the Lloyd Center Mall.
- Built next to the “Green Loop” a ring of pedestrian and cyclist park space that encircles the east and west sides of central Portland.
- Provides activation and engagement of the community at the street level for pedestrian and cyclist activities by providing supportive amenities, housing, and local maker space retail.

## Affordable Housing

- 20% of inclusionary housing required at 80% MFI for 99 years (see Financial Analysis section for more information).
- Utilizing the IH “Reconfiguration” option provided in the ordinance allows the project to minimize the negative financial impact of the IH ordinance.

## Parking

- Although the Super Block requirements allow projects to be built with no on site parking, the project includes 1,700 parking stalls.
- An abundance of on street and adjacent parking is available around the site in addition to underground parking at Hassalo on 8th.

## Bicycle Parking

- Ample bike maintenance and storage space throughout the project.
- Generous easement space on building corridors to accommodate residents, cyclists, and all of their gear.

## Accessibility

- The Portland Streetcar may limit car access on NE 7th Avenue.
- Loading and delivery provided on the north side of the site.

## Permitting & Requirements

- No land use or code adjustment required, may streamline the permit process.

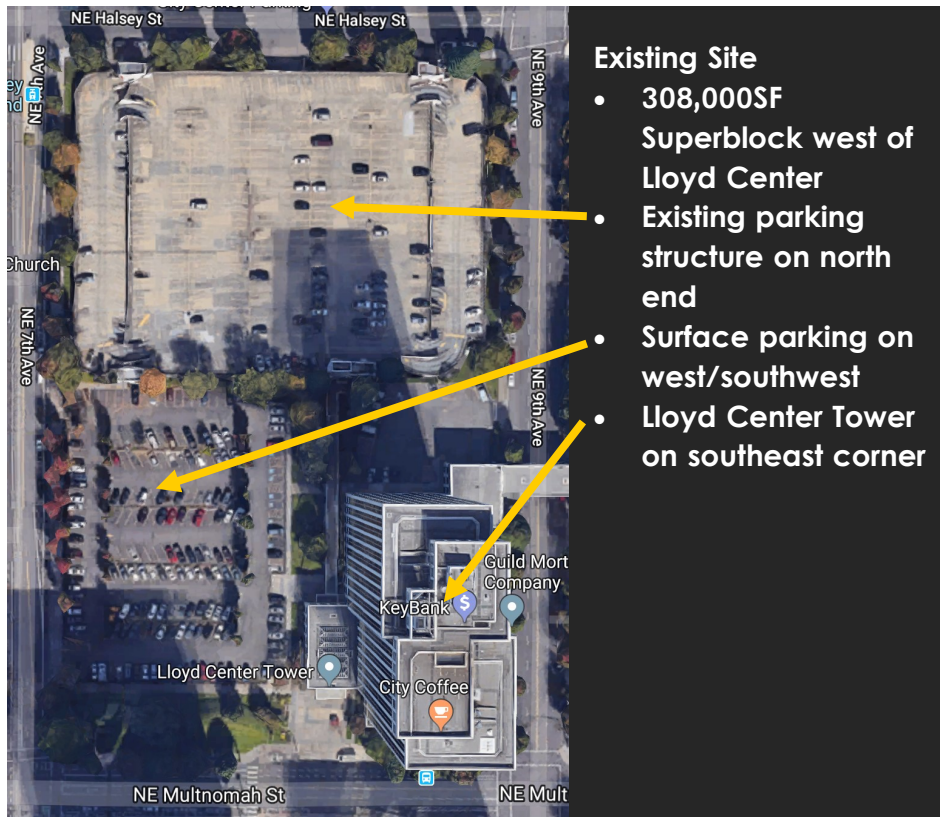




The Lloyd Tower



# Design Program



This project will be done in three phases:

- **Phase 1** will deliver two levels of underground shared parking and a 225,400 SF mid-rise multifamily structure.
- **Phase 2** will begin by demolishing the existing parking structure and building another 225,400 SF mid-rise multifamily structure concurrent with a 480,000SF mixed-use high-rise.
- **Phase 3** will complete the development with a second 480,000SF mixed-use high-rise.



Picture courtesy of Urban Work Real Estate

### The LUV



#### Connection to City Assets

- Located in Portland's Central City, with convenient and quick public transportation access to downtown and east side city centers.

#### Proximity to Nature

- The site hosts more than 40,000 SF of green common space, and is adjacent to the future Portland Green Loop along NE 7th Ave.
- LUV is a quick five minute walk to Portland's historic Holladay Park, a 1 hour drive to Multnomah Falls, and a 10 minute drive or 30 minute transit/ bike trip to Portland's Forest Park.

#### Maker Space

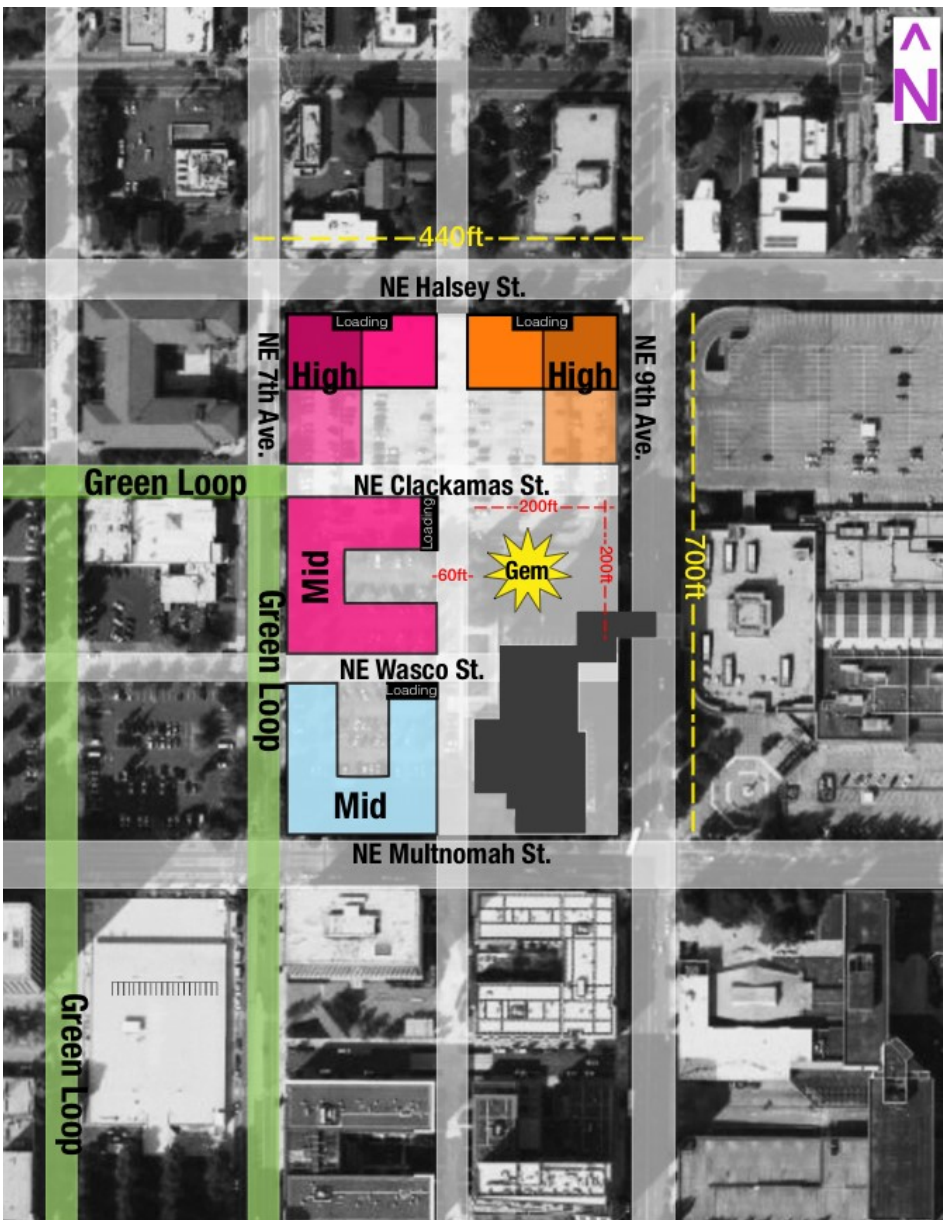
- The retail portion hosts local maker space that aims to support and amplify local artisans with stylish shop space that doubles as production space.

#### Active Lifestyle

- The site supports commuter and leisure activity with pedestrian pathways, bike lanes, and access to parks, and the future Green Loop.
- Nearby lifestyle amenities include the Lloyd Mall, Live Nation, Regal theatre, Moda Center, and Convention Center.



## Design Program



### Pedestrian Circulation

The LUV super block site encapsulates 6 Portland blocks (200ft X 200ft). The design of our development further defines these inherent Portland block dimensions, by establishing both North/South and West/East pedestrian circulation.

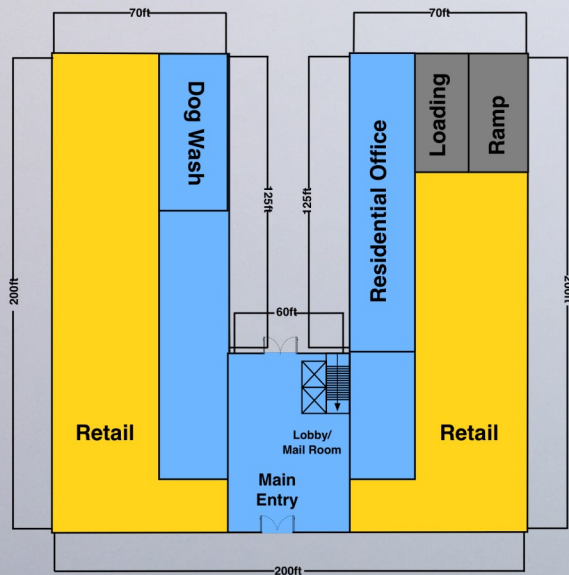
### Building Configuration

To both maximize building footprint and create a welcoming center courtyard the mid-rise buildings will be "U" shaped.

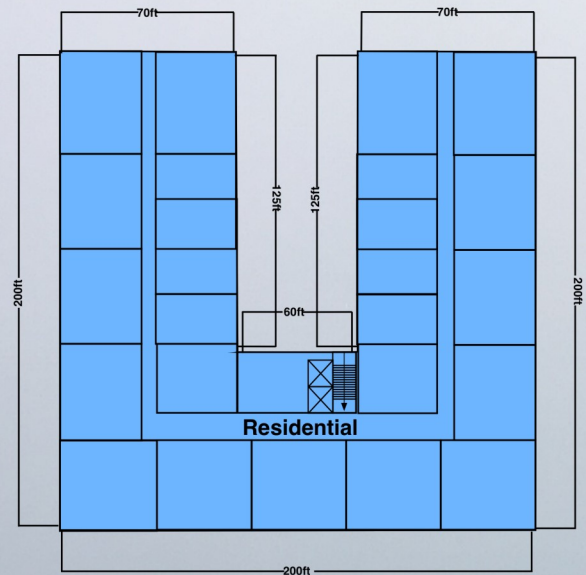
The high-rise buildings are "L" shaped, which brings the buildings to the perimeter of the property, and helps create a community nest at the heart of our development.

The Gem is a unique public gathering space, in the heart of the LUV. The location of the Gem makes it accessible to all aspects of the development and invites pedestrians and cyclists to experience the LUV's retail and neighborhood.

Mid-Rise Floor Plans

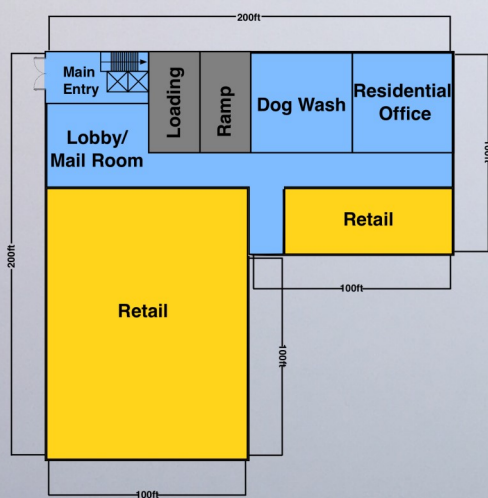


Ground Floor

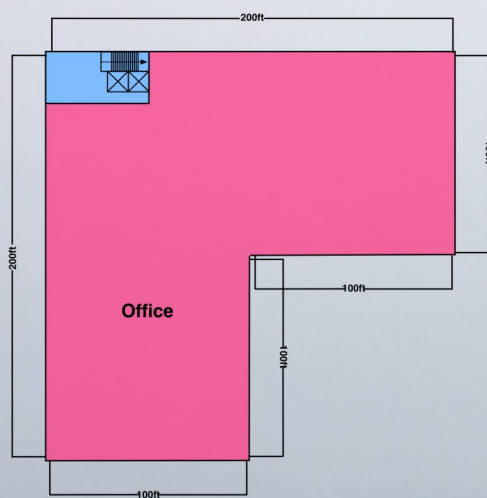


Floors 2-7

High-Rise Floor Plans



Ground Floor

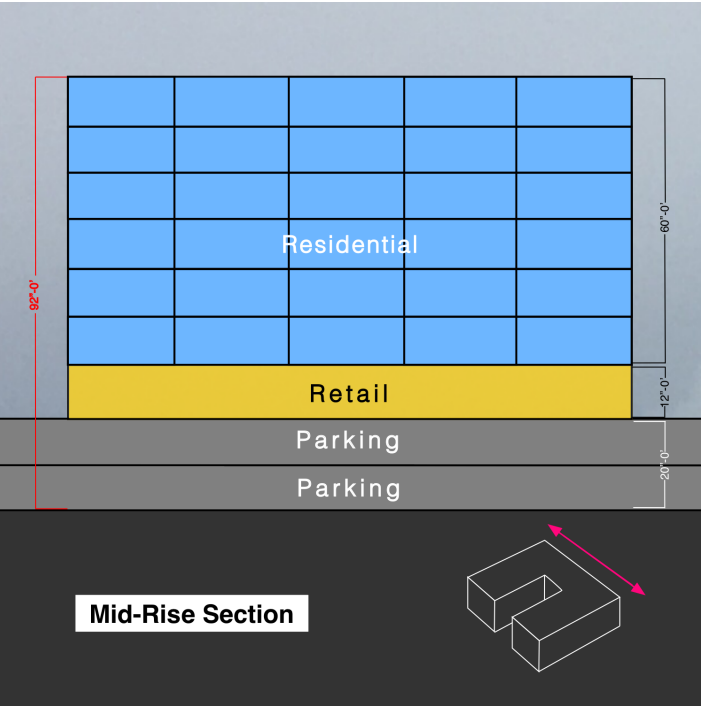


Floors 2-7



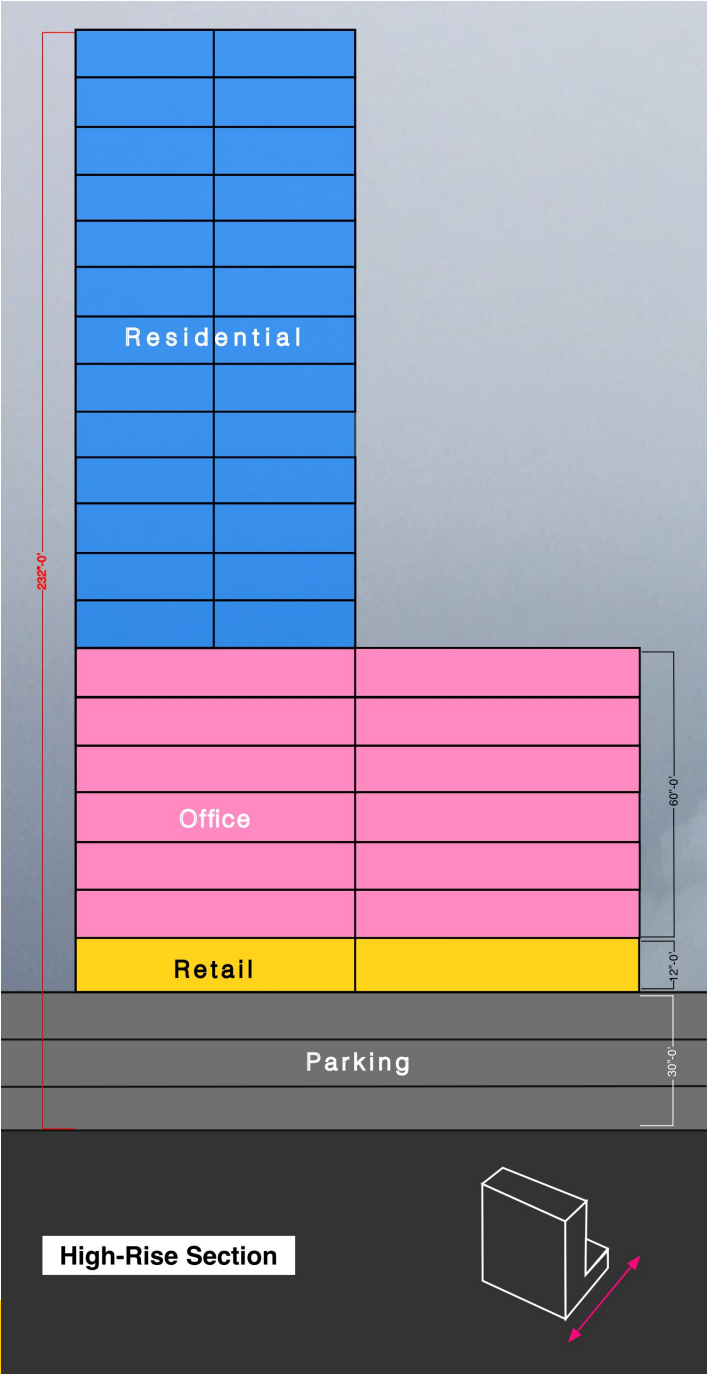
Floors 8-20

# Design Program

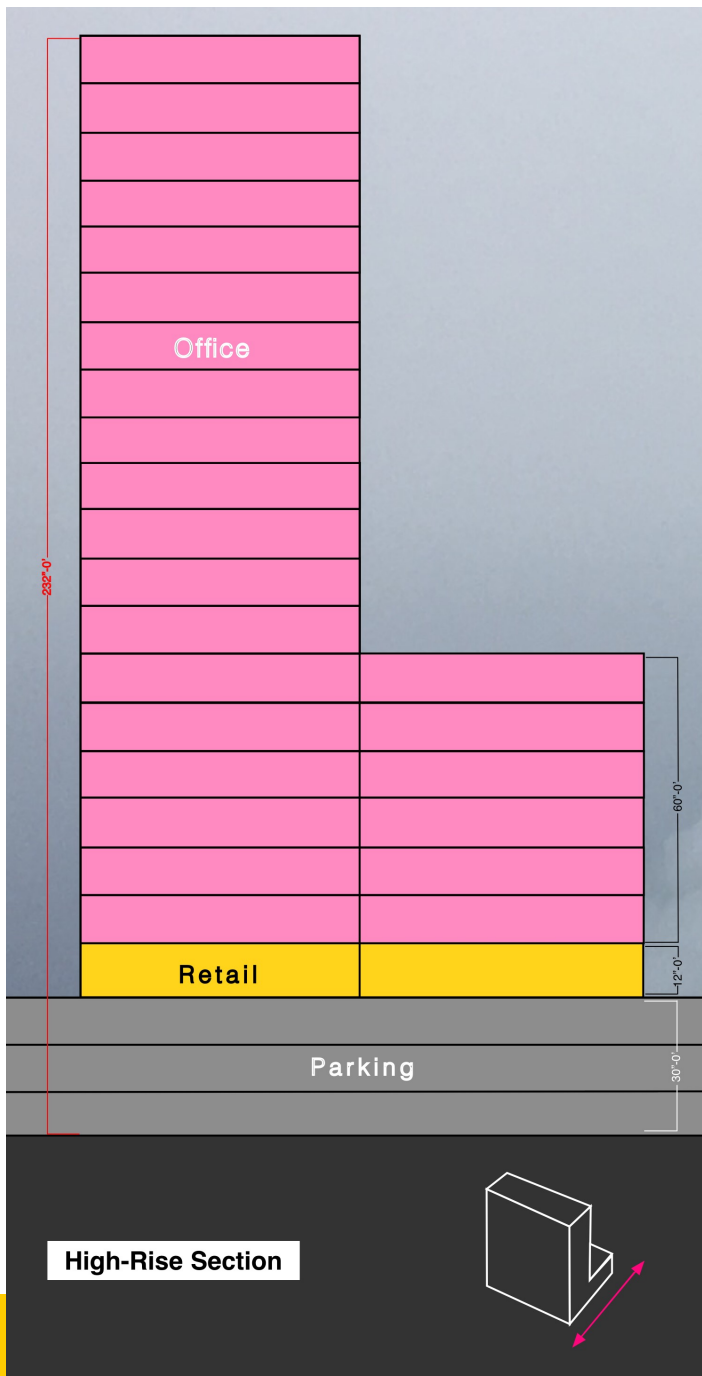


## 5 over 2 Construction

Portland's building code does not allow 5-over-2 at this time. However, many have been approved through the relatively quick Building Code Appeal process based on 2015 IBC Section 510.2.



## Design Program

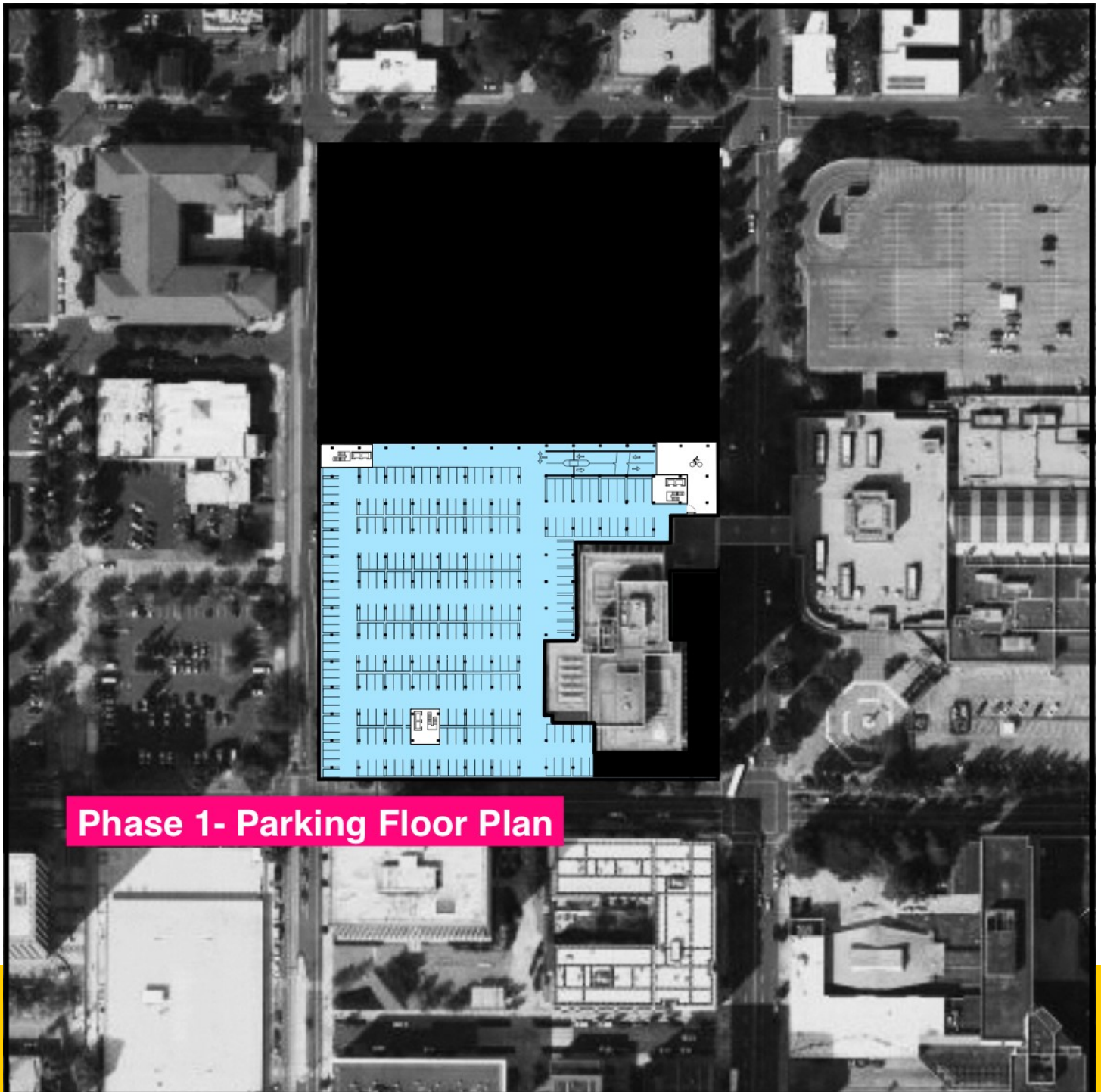


### Alternative Analysis

Another option that was explored was to wait for a large company with a high credit rating. Examples would include Amazon, Sales Force,... This site is the largest developable site in Portland. Its size can attract a large office and or campus for a company headquarters. The benefit with this is having a long leased signed by a highly rated tenant, and there would be no absorption risk or smaller fractured leases. The development deal with the new tenant can be structured in a multitude of ways; one being less cash out for the build costs, both hard cost and design costs. The risks with this are finding a large tenant willing to relocate is few and far between and may take some time to come to fruition.

Due to the phasing of the project. American Assists could push forward with 1 or 2 mid rise apartment buildings and still have more than enough developable area and density to attract a large tenant as mentioned.

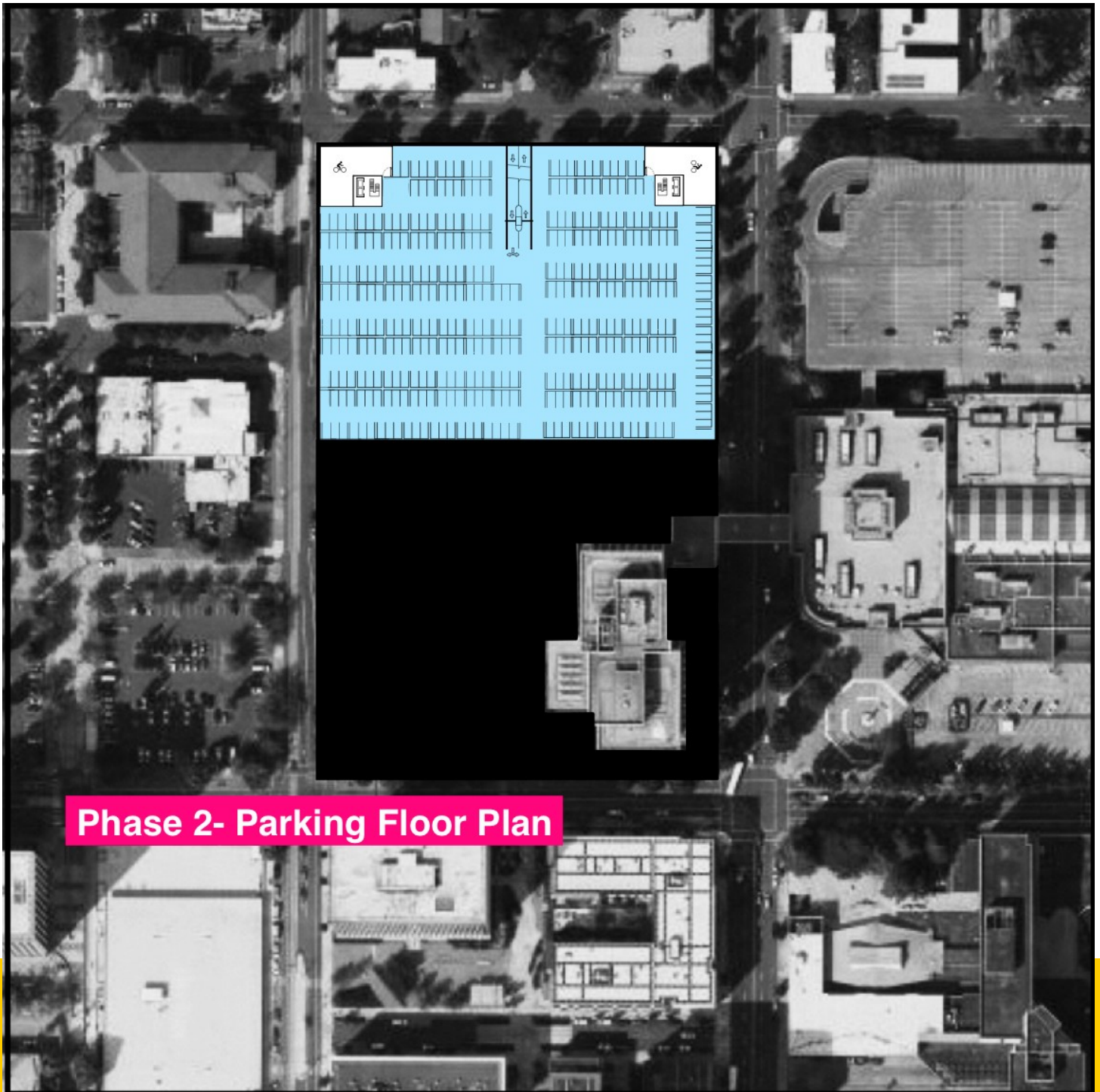




### 2 levels underground parking

- . Total Parking 176,000 SF
- . Total stalls – 552





### 3 levels underground parking

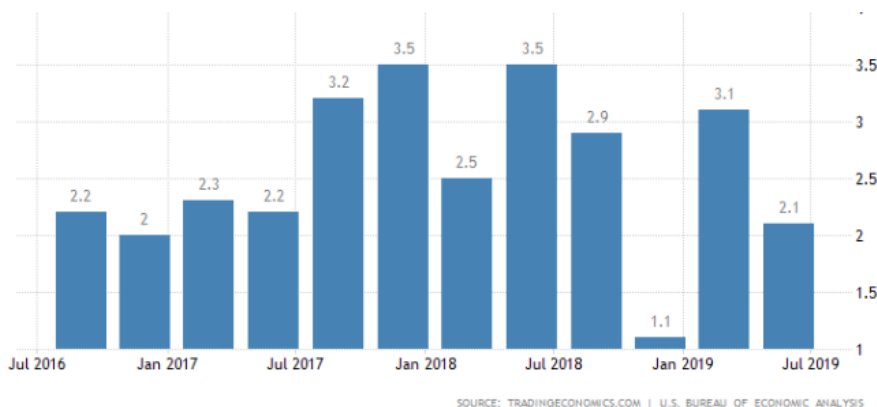
- . Total Parking 462,000 SF
- . Total stalls – 1,209

# Market Conditions

## National Economic Outlook

Economic confidence has been remarkably stable since the start of 2017, despite ongoing trade uncertainties, particularly with China. Positive job and income prospects, gains in net household wealth, and low inflation have improved consumer optimism. However, consumers have not ignored geopolitical uncertainties as they have begun to take precautionary measures to increase savings and reduce debt. Consumers have slowed down the purchase of homes, and the market answered with declining interest rates. An important consumer concern is whether the tariffs on commonly purchased Chinese imports, will spark an even more cautious outlook.

- U.S. stocks have fallen to three month lows and bond prices have rallied, with the U.S. ten year Treasury note yield down to 2.21% (a 20 month low) due to fears that a trade war would undermine global economic growth.
- U.S. stock indexes have fallen about 6% in May, but are still up 11% for the year.
- U.S. GDP growth was revised down to 3.1% for the first quarter from 3.2% on weaker business investment, but beat forecasts for 3% compared to Q4 2018.
- Real GDP increased 2.2 %. Nonfarm payrolls in the US increased by 164,000 in July of 2019, following a downwardly revised 193,000 jobs in June in which was in line with market expectations.



### Portland Market

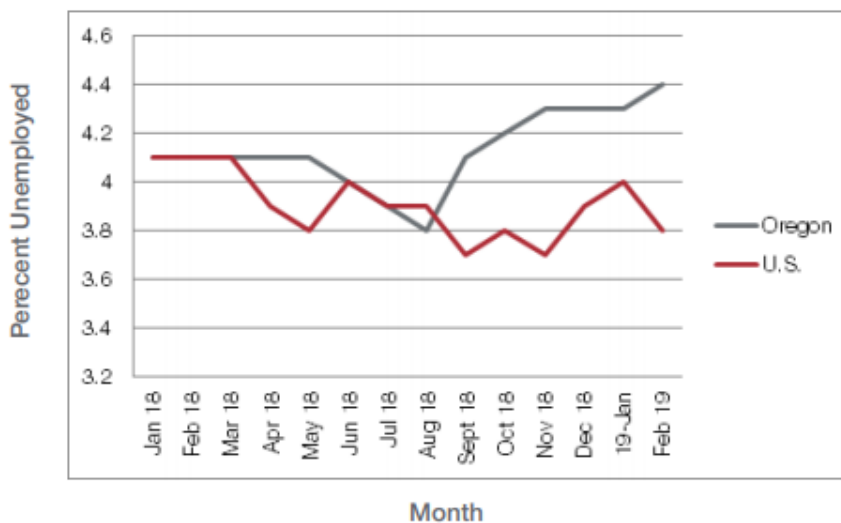
#### Population–Portland MSA:

- Fastest growing city in the Pacific Northwest between 2010–2018.
- 11.9% growth rate overall or 653,115 residents up from 583,792.

#### Employment

Due to a robust economy, Portland MSA continues to be one of the fastest growing cities.

- 24,800 jobs added within the past 12 months.
- Year over year population outpaced jobs by 1.02%. However, unemployment was 20 basis points over the national unemployment rate which was currently 3.7% as of Q2 2019.



#### Multifamily Market Overview–Portland

##### Deliveries & Absorption

As of Q2 2019, investors are weighing in on the Portland multifamily market forecasts of:

- Gross rent multiplier 12.24
- 31,000 Multifamily units
- 9,802 units under construction

Market absorption should remain positive in spite of recent legislation.. Construction is still below demand need of 13,000 annual units suggested by the Oregon Office of Economic Analysis.

## Market Conditions

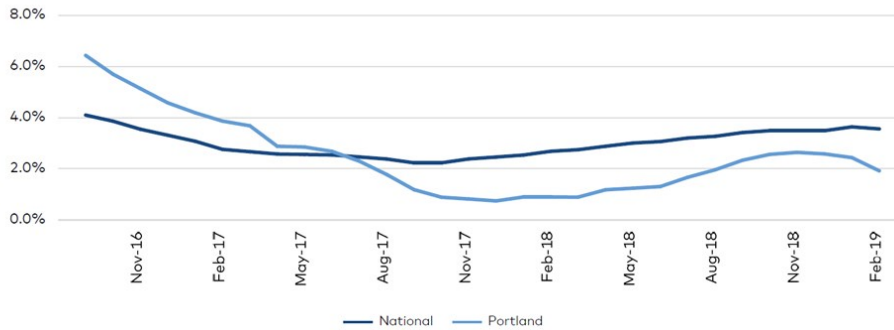
### Occupancy

- The vacancy rate has risen approximately 55 basis points in Portland MSA; however, it is still much lower than the national average at 5%.

### Pricing

- The Portland market is experiencing an overall 3.1% year over year rental rate increase, with the asking average rate just above \$2.40 per SF end of Q1 2019.

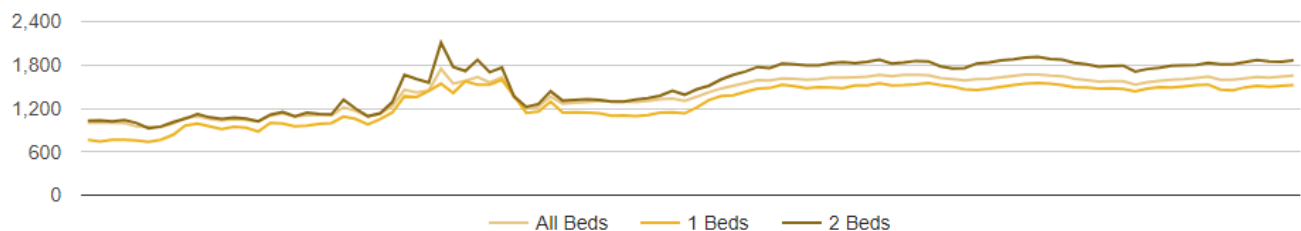
**Portland vs. National Rent Growth** (Sequential 3 Month, Year-Over-Year)



### Portland Rent Trends

The average apartment rent over the prior 6 months in Portland has increased by \$57 (3.6%)

One bedroom units have increased by \$73 (5%) and two bedroom apartments have increased by \$50 (2.8%)



### Portland Office Market Overview

#### Deliveries & Absorption

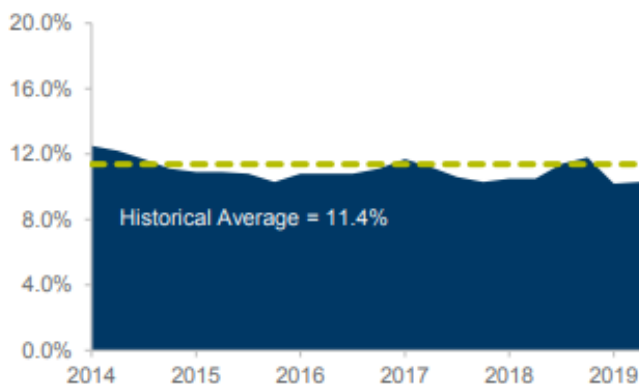
Office market at Lloyd Center has a continued demand for more commercial space while holding steady pressure on supply of inventory.

- With a Net absorption of 588,000 SF year to date, and deliveries of 798,000 SF.
- There is an expectant delivery of 2,348,112 SF of commercial currently under construction.

#### Vacancy

- Portland MSA commercial vacancy rate closed Q2 2019 at 7.3%, a significant decrease from 10.2%.
- The CBD historically averages 11.4% vacancy.

Overall Vacancy



#### Pricing

Leasing averages per SF is \$26.85. Portland office market is experiencing a tight growth at this stage of the quarter, but it is performing better than the national average with a 2.1% rent growth.

Net Absorption/Asking Rent  
4-QTR TRAILING AVERAGE



## Market Conditions

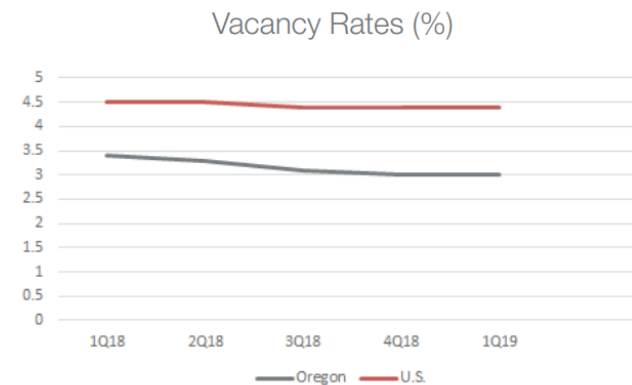
### Retail Market Overview-Portland

#### Deliveries & Absorption

- 12 Mos Delivery 253,000 SF
- 12 Mos Absorption 56,800 SF
- 1.6% rent growth year over year

#### Vacancy

Market vacancy is at 3.2% with total inventory of 5,566,762 SF. These indicators are supported by market change behaviors such as increased minimum wage, continued population growth, and new job gains leading to higher discretionary income.



#### Pricing

The average retail space is \$22.67 SF Full Service.

There are limited deliveries and construction, contributing to a tighter market. NAI Elliott reports that rental growth within Portland continues to beat other major cities along the west coast and the national average by more than \$0.40 per SF per year. The overall vacancy rate is lower than the national average of 4.4%.



# Lloyd Market

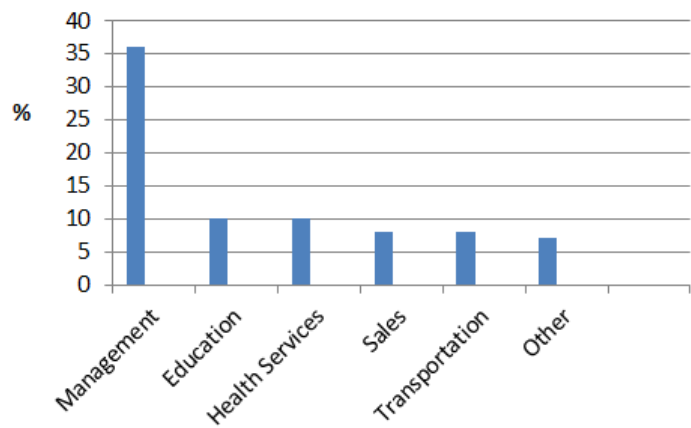
## Lloyd District Submarket Demographics

The Lloyd District is a commercial neighborhood nestled in the North and Northeast sections of Portland, Oregon. It is bordered by the Willamette River on the west, NE Broadway on the north, NE 18th Ave., on the east, and Interstate 84 on the south.

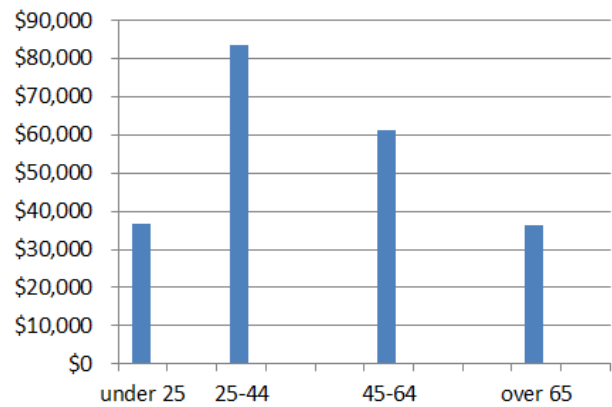
Between 2010 and 2035, Lloyd is forecast to grow by:

- 9,000 households
- 25,800 jobs
- Average household income-\$83,652

Lloyd District Industry Employment Sectors



Lloyd District Income by Age



### Multifamily Submarket Overview–Lloyd District

#### Deliveries & Absorption

The Lloyd District has not seen any new multifamily deliveries in the last couple of years. However, the city's largest affordable housing project in 30 years, a 12-story 240-unit apartment building by Home Forward, is near completion a few blocks from the LUV site. All units are for households at or below 60% MFI. TwentyTwenty has brought 162 units to the rental housing market.

#### Occupancy

In Inner & Central NE Portland including the Lloyd, supply growth outpaces tenant demand in 2019 lifting the vacancy rate to 5% after posting a 60-basis-point decline last year. Deliveries will reach the highest level on record this year surpassing last year's total. Despite of the flow of new supply, the submarket has one of the lowest vacancy rate in Portland MSA.

#### Pricing

Average asking rent climbed to \$1,400 per month beginning Q1 2019

- 3.1% growth rate YOY as of Q1 2019
- Average effective rent climbed to \$1,362 per month in the Q1 2019

### Office Submarket Overview–Lloyd District

#### Deliveries & Absorption

According to JLL Portland Q2 2019 Office Insight, the Lloyd District shows one of the highest total net absorption rate of 2.2%. Just in Q2, 2019 alone, over 50,000 SF was absorbed in the Lloyd District.

#### Vacancy

The vacancy rate in the Lloyd District shows 4.7%, much lower than the Portland MSA average of 7.3%.

#### Comparables & Pricing

The Lloyd Center Tower is within the subject area and the nearest office market comparables being used

- The Lloyd Center Tower avg \$36.00 dollars per SF
- Lloyd District office market avg \$29.09 dollars per SF
- Built in 1981 has approximately 428,325 net SF RBA at 20 stories

## Market Conditions

---

Rents are ranging from \$32.00 to \$38.00 per available lease SF. The average floor plate is 21,416 SF. Overall, the market for this area is yielding well.

Lloyd 700 is within our office market comparables area

- \$35.00 to \$36.00 dollars per available lease SF
- Minimally aged since renovation in 2011

### Retail Submarket Overview–Lloyd District

#### Deliveries & Absorption

The retail submarket represents more retail space going or staying vacant than lease signings. The availability is increasing the supply of inventory.

#### Vacancy

In the retail submarket at Lloyd Center, total availability of 1.4% with an overall vacancy rate of 109,944 SF and total inventory of 5,580,000 SF.

#### Pricing

The retail rental rate is averaging \$22.75 PSF.

#### Target Market & Tenant Profiles

The target market is young professionals, urban families, and empty nesters.

The young professionals group earn over \$50,000 annually. They are tech-savvy and live in fashionable neighborhoods on the urban fringe. Affluent, highly educated, and ethnically mixed, this group lives in communities that are typically filled with trendy apartments and condos, fitness clubs and clothing boutiques, casual restaurants and all types of bars – from juice to coffee to microbrew.

Urban families have an average income, advanced degrees, and sophisticated tastes. Many of these city dwellers are married couples with few or no children. The combined annual income is at least \$84,000.

Empty nesters earn over \$50,000 annually. They represent the fastest-growing market segment.



### Retail Marketing Plan

The LUV will bring 68,400 SF of retail space. This will support the connection of the outdoor space to the entire community starting from the ground floor of each building.

We plan to combine traditional retail methods with emerging retail concepts and create a cultural experience zone centered at the LUV

**Traditional Retail:** brings convenience to people’s lives and is the basic needs of our residents.

Restaurants, Coffee Shops, Ice Cream Shops



**Emerging Retail:** revolutionizing the digital experience, increasing consumer shopping efficiency and enhancing the shopping experience.

24-hour unmanned supermarkets, Amazon Hub Lockers



## Market Conditions

### Multifamily Comparables

#### Hassalo on Eighth



1088 NE 7th Ave., Portland, OR 97232  
657 Units / 6 Stories  
Rent/SF \$2.34, Vacancy 3.11%  
Owner: American Assets Trust

#### The Yard



22 NE 2nd Ave., Portland, OR 97232  
284 Units / 21 Stories  
Rent/SF \$2.72, Vacancy 10.6%  
Owner: Land and Houses U.S.A., Inc.

#### Aura Burnside



77 NE Grand Ave., Portland, OR 97232  
157 Units / 6 Stories  
Rent/SF \$2.15, Vacancy 1.9%  
Owner: TRG – Burnside Dev., LLC

### Office Comparables

#### Lloyd 700



700 NE Multnomah St, Portland, OR 97232  
247,385 SF / 16 Stories  
Rent/SF \$35.00–\$36.00  
Vacancy 4.5%  
Owner: American Assets Trust

#### Lloyd Center Tower



825 NE Multnomah St, Portland, OR 97232  
428,325 SF / 20 Stories  
Rent/SF \$32.00–\$38.00  
Vacancy 4.3 %  
Owner: American Assets Trust

# Financial Analysis

## **Interest Rates**

As a publicly-traded REIT, American Assets Trust has an ability to raise capital through stock issuance. It can also issue publicly or privately placed bonds at a very low interest rate. On top of that, the company has liquid assets of almost \$300 million including \$255 million of availability on its unsecured revolving line of credit at 3.59%. The credit may be increased up to an additional \$350 million as well. The company often utilizes its liquidity and completes projects with cash. The previously completed multi-family project in the Lloyd District — Hassalo on Eighth — was a cash development and no lender was involved. To illustrate the impact of the debt on the proforma, however, the company's weighted average rate of unsecured notes payable, 3.88%, was used for both construction and permanent interest rate.

## **Desired Return**

American Assets Trust is a long-term investor whose focus is to secure increased cash flow and bring steady dividend yields to its stockholders. The LUV's phased approach allows the company to examine the market and adjust the building use to secure the desired yield.

## **Inclusionary Housing (IH)**

The LUV is located in Central City Plan District where 20% of the units must be affordable at 80% MFI. This year, maximum monthly rent including utilities must not exceed \$1,232 for studio, \$1,320 for 1-bedroom, \$1,584 for 2-bedroom, and \$1,829 for 3-bedroom. The development team considered paying the Fee-in-Lieu as an alternative of including affordable units in The LUV. The development team recommends moving forward with building IH units. The unit breakdown is allocated approximately 18% of total units to 2-bedroom & 1-bathroom unit type and 7% to 3-bedroom & 2-bathroom unit type. The development team used the "Reconfiguration" model that the City of Portland has accepted. The model allows the use of "bedrooms" to count as full units. Ex. a 3 bedroom can count as 3 affordable housing units. With this configuration we can achieve the 20% unit mix with a smaller amount of actual units and maintain a better revenue model. The larger 3 bedrooms fetch a higher overall rent rate which leads to longer periods of lease up and/or vacancy. With the 80% AMI applied to these units it creates a more efficient leasing structure.



## Financial Analysis

### 3. Unit Development Costs

Development Costs	Unit Cost		Total Costs
Multi-Family	\$ 275,079	(\$ per unit)	\$ 292,134,160
Retail	\$ 246	(\$ per s.f.)	\$ 16,905,223
Office	\$ 355	(\$ per s.f.)	\$ 127,795,363
Underground Parking	\$ 35,241	(\$ per space)	\$ 62,060,232
Plaza	\$ 88	(\$ per s.f.)	\$ 13,027,934
Land	\$ 26	(\$ per s.f.)	\$ 6,334,200
<b>Total Development Costs</b>			<b>\$ 518,257,113</b>

### Hard Cost Summary with Economies of Scale

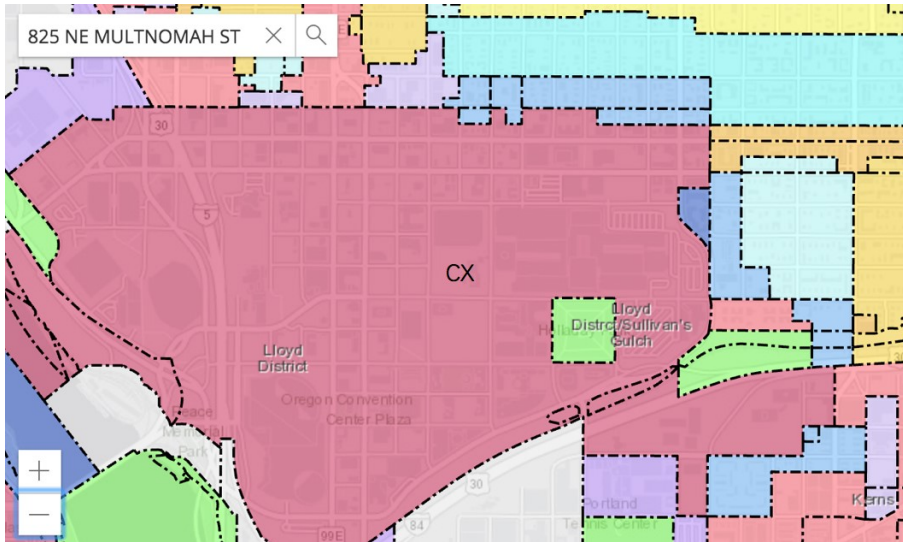
	\$/GSF		\$/GSF		\$/GSF	
	THE LUV	Comments	LOW	Comments	HIGH	Comments
<b>Rental Housing - Shell/Core</b>						
Shell Cost/Interiors						
Mid-rise Concrete (Wood over Concrete Podium: 3-7 floors)	\$ 200	Mid-range finishes - solid-surface countertops, mid-priced universal design hardware, standard appliances, standard light fixtures, laminate flooring	\$ 175	Lower end finishes - p-lam countertops, hollow core doors, less expensive hardware, more standard appliances, standard light fixtures, not as durable flooring finishes	\$ 250	Higher end finishes - solid surface countertops, no pre-hung doors/frames, more expensive hardware, more expensive appliances, more decorative light fixtures, more durable flooring (tile, hardwoods)
High Rise Concrete (Steel & Concrete Tower)	\$ 265	Mid-range finishes - solid-surface countertops, mid-priced universal design hardware, standard appliances, standard light fixtures, laminate flooring	\$ 250	Lower end finishes - p-lam countertops, hollow core doors, less expensive hardware, more standard appliances, standard light fixtures, not as durable flooring finishes	\$ 305	Higher end finishes - solid surface countertops, no pre-hung doors/frames, more expensive hardware, more expensive appliances, more decorative light fixtures, more durable flooring (tile, hardwoods)
<b>Office Space - Shell/Core</b>						
Mid-rise Office (Wood over Concrete Podium 3-7 floors)	\$ 200	Some architectural features, standard exterior wall systems, more standard MEP, possibly NORM (Natural Organic Recycling System: gray and black water treatment system)	\$ 175	Standard shape, minimal architectural features, standard exterior wall system, standard MEP systems	\$ 250	More architectural features involved in exterior wall system, more energy efficient HVAC systems (geo-thermal, VRF, etc.)
High-rise office (Steel & Concrete Tower)	\$ 200	Some architectural features, standard exterior wall systems, more standard MEP, possibly NORM (Natural Organic Recycling System: gray and black water treatment system)	\$ 180	Standard shape, minimal architectural features, standard exterior wall system, standard MEP systems	\$ 260	More architectural features involved in exterior wall system, more energy efficient HVAC systems (geo-thermal, VRF, etc.)
Office Space TI (allowance, included in development budget)	\$ 95	80% open offices and 20% closed offices, Large data/electrical requirements	\$ 75	80% open offices and 20% closed offices, very standard finishes and data/electrical requirements	\$ 120	60% open offices & 40% closed offices, higher end & distinctive finishes, Large data/electrical requirements
<b>Retail Space</b>						
Open Concept Retail	\$ 110		\$ 80		\$ 150	
Retail TI (Allowance, included in development budget)	\$ 95		\$ 50		\$ 300	
<b>Multiblock Underground Shared Parking</b>						
Below-grade parking	\$ 80	Extremely efficient parking modules with easy site for excavation/shoring (very large footprint)	\$ 85	Very efficient parking modules with easy site for excavation/shoring (larger footprint)	\$ 195	Not as efficient parking and harder site for excavation/shoring (smaller footprint)
<b>Plaza and Street</b>						
Hardscaping and Landscaping	\$ 60					
GEM	\$ 2,000,000	An iconic something	EA			
Demolition	\$ 0.30		csf			

# Appendix

1. Summary Pro Forma		Phase	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
		2019	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Net Operating Income	Building 1	0	0	0	0	450,785	4,465,783	4,577,427	4,691,863	4,809,160	4,929,389	5,052,623	5,178,939	5,308,412	5,441,123	5,577,151	5,728,700	5,256,918
	Building 2		0	0	0	0	0	0	0	1,566,013	4,878,850	4,987,119	5,111,797	5,239,592	5,370,582	5,504,846	5,642,468	5,783,529
	Building 3		0	0	0	0	0	0	0	4,256,645	12,672,443	14,190,880	14,545,652	14,909,293	15,282,025	15,664,076	16,055,678	16,457,070
	Building 4		0	0	0	0	0	0	0	0	0	0	1,479,463	12,089,772	15,282,025	15,664,076	16,055,678	16,457,070
	Parking		63,603	105,939	108,587	111,302	114,084	87,684	89,876	295,071	302,448	310,009	324,485	332,597	340,912	349,435	358,171	367,125
Total Net Operating Income			63,603	105,939	108,587	562,087	4,579,867	4,665,111	4,781,739	10,926,889	22,783,130	24,540,631	26,640,335	37,879,667	41,716,667	42,759,584	43,240,694	44,321,711
Development Costs																		
	Phase 1		(3,872,206)	(33,339,696)	(36,614,130)	(6,671,908)												
	Phase 2					(14,658,557)	(224,369,718)	(138,605,817)	(25,257,060)									
	Phase 3									(10,403,278)	(89,572,220)	(98,369,492)	(17,487,910)					
Total Development Costs			(3,872,206)	(33,339,696)	(36,614,130)	(21,330,465)	(224,369,718)	(138,605,817)	(25,257,060)	(10,403,278)	(89,572,220)	(98,369,492)	(17,487,910)					
Total Development Costs	Land Acquisition		(3,872,206)	(33,339,696)	(36,614,130)	(21,330,465)	(224,369,718)	(138,605,817)	(25,257,060)	(10,403,278)	(89,572,220)	(98,369,492)	(17,487,910)					
Annual Cash Flow																		
	Net Operating Income		63,603	105,939	108,587	562,087	4,579,867	4,665,111	4,781,739	10,926,889	22,783,130	24,540,631	26,640,335	37,879,667	41,716,667	42,759,584	43,240,694	44,321,711
	Total Asset Value		Blended Cap	5.32%													833,016,667	
Total Development Costs	Total Costs of Sale		(3,872,206)	(33,339,696)	(36,614,130)	(21,330,465)	(224,369,718)	(138,605,817)	(25,257,060)	(10,403,278)	(89,572,220)	(98,369,492)	(17,487,910)	0	0	0	0	0
Net Cash Flow	Leveraged Net Cash Flow		(3,808,603)	(33,233,757)	(36,505,543)	(20,768,378)	(219,789,851)	(133,940,706)	(20,475,321)	523,611	(66,789,090)	(73,828,861)	9,152,428	37,879,667	41,716,667	42,759,584	876,257,361	0
Debt Service			(3,808,603)	(33,233,757)	(36,505,543)	(20,768,378)	(105,915,006)	(5,492,196)	(6,373,158)	(638,912)	7,679,452	5,551,606	6,960,582	9,746,900	24,342,460	25,385,377	366,806,949	0
Net Present Value w/ 6% Discount Rate			16,593,472				4,682,726	10,157,307	11,154,897	11,565,800	15,103,678	18,989,025	19,679,754	28,132,767	17,374,206	17,374,206	17,374,206	17,374,206
Unleveraged IRR Before Taxes			5.9%					8.90%		Yield on Costs Trended								
Leveraged IRR Before Taxes			7.0%					\$ 833,016,667		Yield On Costs Unlevered								
2. Multiyear Development Program																		
	Total Buildout		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Project Buildout by Development Units																		
Market-rate	Multi-Family	(units)	0	0	0	190	0	0	0	467	0	0	0	0	0	0	0	0
Affordable	Multi-Family	(units)	0	0	0	26	0	0	0	64	0	0	0	0	0	0	0	0
	Underground Parking	(spaces)	0	0	0	552	0	0	0	1,209	0	0	0	0	0	0	0	0
Total			0	0	0	768	0	0	0	1,740	0	0	0	0	0	0	0	0
Project Buildout by Area																		
Market-rate	Multi-Family	(s.f.)	0	0	0	172,979	0	0	0	404,477	0	0	268,923	0	0	0	0	0
Affordable	Multi-Family	(s.f.)	0	0	0	34,901	0	0	0	80,723	0	0	53,277	0	0	0	0	0
	Office/Commercial	(s.f.)	0	0	0	0	0	0	0	180,000	0	0	180,000	0	0	0	0	0
	Retail	(s.f.)	0	0	0	19,320	0	0	0	34,320	0	0	15,000	0	0	0	0	0
	Underground Parking	(s.f.)	0	0	0	176,000	0	0	0	462,000	0	0	0	0	0	0	0	0
Total		(s.f.)	0	0	0	403,200	0	0	0	1,161,520	0	0	517,200	0	0	0	0	0
3. Unit Development Costs																		
	Total Development Costs																	
Development Costs																		
	Multi-Family	\$	275,079 (\$ per unit)	\$	232,134,160													
	Retail	\$	246 (\$ per s.f.)	\$	16,905,223													
	Office	\$	355 (\$ per s.f.)	\$	127,795,363													
	Underground Parking	\$	35,241 (\$ per space)	\$	62,060,232													
	Plaza	\$	88 (\$ per s.f.)	\$	13,027,934													
	Land	\$	26 (\$ per s.f.)	\$	6,334,200													
Total Development Costs		\$		\$	518,257,113													
4. Equity and Financing Sources																		
Equity Sources (total)																		
	Land Contribution																	
	American Assets Trust Equity																	
Financing Sources (total)																		
	Construction Loan																	
Total																		



## Title 33 Zoning/ Land Use Summary



Base Zone

Central Commercial (CX)/Superblocks

### Zoning Information

The CX zone is a high density commercial zone intended for development within Portland's most urban and intense areas. The CX zone allows for intense development with high building coverage and large buildings placed close together. Development is intended to be pedestrian oriented with a strong emphasis on a safe and attractive streetscape.

The Superblocks chapter regulates the amount and location of open areas and walkways on large commercial sites where streets have been vacated. The intent is to promote a pleasant and convenient walkway and open area system on the superblock that links to the adjacent buildings, to the public circulation system, and to any available public transit. The requirements also promote the maintenance of light, air and access that could be lost due to development on the vacated street.

### 33.293.030 Requirements

**Developments on superblocks must comply with the development standards listed below.**

**A. Required walkways, landscaped areas, and plazas. Developments on superblocks must provide walkways, landscaped areas, and public plazas or public atriums with glazed ceilings within the superblock as follows:**

**1. Amounts.**

a. At least one public plaza or public atrium must be provided within the superblock equal to 5 percent of the total land area of the superblock, including the area of vacated streets. However, 20,000 square feet is the maximum area that is required for this plaza or atrium. The ratio of the length of the plaza or atrium to the width may not exceed 3 to 1.

b. The total area of walkways, landscaped areas, public plazas, and public atriums must be at least 50 percent of the total area of the vacated streets within the superblock. This is in addition to any required open area, landscaped area, or pedestrian connections of other chapters of Title 33, and cannot be applied towards meeting the requirements of any height or FAR bonus provision of this Title.

**2. Materials.**

- a. The walkways system must be hard-surfaced, at least 12 feet wide, and unobstructed.
  - b. Where the walkway system crosses driveways, parking areas, and loading areas, the system must be clearly identifiable, through the use of elevation changes, speed bumps, a different paving material, or other similar method. Striping does not meet this requirement.
  - c. Where the walkway system is parallel and adjacent to an auto travel lane, the system must be a raised path or be separated from the auto travel lane by a raised curb, bollards, landscaping or other physical barrier. If a raised path is used the ends of the raised portions must be equipped with curb ramps.
3. Lighting. The on-site pedestrian and bicycle circulation system must be lighted to a level where the system can be used at night by the employees, residents,
- and customers.
4. Walkways must be accessible to bicycles, or an alternative connection for bicycles must be provided.

**B. Location of walkways, landscaped areas, and plazas.**

1. Landscaped areas and plazas or atriums may be located anywhere on the site.
2. Required plazas or atriums must be accessible from an improved walkway and /or public sidewalk.
3. Walkways must link all buildings to public sidewalks, adjacent superblocks, and nearby transit facilities. Where the site lies between two parallel streets which were formerly connected by a vacated street, a walkway connecting the two parallel streets must be provided as a substitute for the vacated streets. The connecting walkway does not need to be located within the alignment of the vacated streets, but must provide approximately the same connections for pedestrians. The owner must record a public access easement that allows public access to the walkways.

**33.293.040 Phased Development**

In cases where a development on a superblock is constructed or redeveloped in phases, the requirements stated below apply.

- A. Amount of improvements. Each phase must provide at least the amount of walkways, landscaped areas, and plazas based on that phase's percentage of the total superblock area. If all required improvements are developed in an earlier phase, subsequent phases are not required to provide additional improvements.
- B. Long term plan. The applicant must submit a site plan that shows the location of the walkways, landscaped areas, and plazas for each phase of the superblock project.

**33.293.070 Maintenance**

The maintenance, replacement, and repair of the required walkways, landscaped areas, and plazas are the ongoing responsibility of the property owner.

**Summary of Development Standards in Commercial/Mixed Use Zones**

Standards	CX
Maximum FAR (see 33.130.205 and 33.130.212)	4 to 1
Bonus FAR (see 33.130.212)	See Table 130-3
Minimum Density (see 33.130.207)	NA
Base Height (see 33.130.210.B.1)	75ft.
Step-down Height (see 33.130.210.B.2)	35ft.
-Within 25 ft. of lot line abutting RF-R2.5 zones	45ft.
-Within 25 ft. of lot line abutting R3, R2, R1, RMP Zones	35ft.
-Within 15 ft. of lot line across a local service street from RF – R2.5 Zones	45ft.
- Within 15 ft. of lot line across a local service street from R3, R2, R1, RMP Zones	
Bonus Height (see 33.130.212)	See Table 130-3
Min. Building Setbacks (see 33.130.215.B)	none
- Street Lot Line	10 ft.
- Street Lot Line abutting selected Civic Corridors	5 or 10 ft.
- Street Lot Line across a local street from an RF – R1 or RMP Zone.	

Standards	CX
Min. Building Setbacks (see 33.130.215.B)	none
- Lot Line Abutting OS, RX, C, E, or I Zoned Lot	10 ft.
- Lot Line Abutting RF – RH or RMP Zoned Lot	
Max. Building Setbacks (see 33.130.215.C)	10 ft.
- Street Lot Line	20 ft.
- Street Lot Line Abutting Selected Civic Corridors	
Max. Building Coverage (% of site area)	100%
- Inner Pattern Area	100%
- Eastern, Western, and River Pattern Areas (see 33.130.220)	
Min. Landscaped Area (% of site area) (see 33.130.225)	None
Landscape Buffer Abutting an RF - RH or RMP Zoned Lot (see 33.130.215.B)	10 ft. @ L3
Required Residential Outdoor Area (see 33.130.228)	No
Ground Floor Window Standards (see 33.130.230.B)	Yes

### 33.510.116 Retail Sales And Service Uses for Specified Sites in the CX Zones

**Purpose.** Limits on the size of Retail Sales And Service uses promote neighborhood-serving commercial development and help reduce traffic congestion associated with large-scale retailers.

**Retail Sales and Service Limitation.** On sites shown on Map 510-12, Retail Sales And Service uses are limited to 50,000 square feet of net building area per use. Approval through a conditional use review is required for any individual Retail Sales And Service use over 50,000 square feet of net building area, but individual Retail Sales And Service uses with more than 60,000 square feet of net building area are prohibited. These limitations do not apply to hotel uses.

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Portland Housing Bureau

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